

Energy for life. All the time.

E.ON Group Financial Highlights

€ in millions	2006	2005 ¹	+/- %
Electricity sales (in billion kWh) ²	400.4	401.7	-
Gas sales (in billion kWh) ²	949.0	924.3	+3
Sales	67,759	56,141	+21
Adjusted EBITDA ³	11,353	10,194	+11
Adjusted EBIT ⁴	8,150	7,293	+12
Income/Loss (-) from continuing operations before income taxes and minority interests	5,133	7,152	-28
Income/Loss (-) from continuing operations	4,930	4,355	+13
Income/Loss (-) from discontinued operations, net	127	3,059	-96
Net income	5,057	7,407	-32
Adjusted net income ⁵	4,386	3,640	+20
Investments ⁶	5,161	3,941	+31
Cash provided by operating activities	7,194	6,544	+10
Free cash flow ⁷	3,111	3,588	-13
Net financial position ⁸ (at year end)	-268	1,917	-
Stockholders' equity	47,845	44,484	+8
Total assets	127,232	126,562	+1
ROCE ⁹ (in %)	13.2	12.2	+1 ¹⁰
Cost of capital (in %)	9.0	9.0	-
Value added ⁹	2,586	1,920	+35
Return on equity after taxes ¹¹ (in %)	11.0	19.0	-8 ¹⁰
Employees (at year end)	80,612	79,570	+1
Earnings per share from net income (in €)	7.67	11.24	-32
Per share figures (in €)			
Stockholders' equity ¹²	72.54	67.50	+7
Dividend per share	3.35	2.75	+22
Dividend payout	2,210	4,614 ¹³	-52
Market capitalization ¹⁴ (€ in billions)	67.6	57.6	+17

¹Adjusted for discontinued operations. ²Unconsolidated figures; includes E.ON Ruhrgas AG gas sales volume. ³Non-GAAP financial measure; see reconciliation to net income on page 18. ⁴Non-GAAP financial measure; see reconciliation to net income on page 18. ⁵Non-GAAP financial measure; see reconciliation to net income on page 20. ⁶Excludes other financial assets. ⁷Non-GAAP financial measure; see reconciliation to cash provided by operating activities on page 24. ⁸Non-GAAP financial measure; see reconciliation on page 25. ⁹Non-GAAP financial measure; see derivation on pages 20-23. ¹⁰Change in percentage points. ¹¹Net income excluding minority interests + annual average stockholders' equity excluding minority interests. ¹²Excludes minority interests. ¹³Includes extra dividend of €4.25 per share. ¹⁴Market capitalization based on ordinary shares outstanding.

E.ON Group 2006 Financial Highlights by Business Segment

€ in millions	Pan-European					Corporate Center	Core Energy Business	Other Activities ¹	Total
	Central Europe	European Gas	U.K.	Nordic	U.S. Midwest				
Sales	28,380	24,987	12,569	3,204	1,947	-3,328	67,759	-	67,759
Adjusted EBITDA	5,484	2,839	1,790	992	590	-395	11,300	53	11,353
Adjusted EBIT	4,168	2,106	1,229	619	391	-416	8,097	53	8,150
ROCE (in %)	21.6	13.5	9.3	9.8	5.7	-	-	-	13.2
Cost of capital (in %)	9.0	8.2	9.2	9.0	8.0	-	-	-	9.0
Value added	2,431	824	13	51	-157	-	-	-	2,586
Cash provided by operating activities	3,825	589	749	715	381	935	7,194	-	7,194
Investments	2,416	880	863	631	398	-27	5,161	-	5,161
Employees (at year end)	43,546	12,417	15,621	5,693	2,890	445	80,612	-	80,612

¹This segment consists of Degussa, which is accounted for using the equity method.

Through the fiscal year ending December 31, 2006, E.ON prepared its consolidated financial statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"), but has adopted International Financial Reporting Standards ("IFRS") as its primary set of accounting principles as of January 1, 2007. Unless otherwise indicated, the financial data for periods beginning after January 1, 2007 reflected in this presentation has been prepared in accordance with IFRS, while that for prior periods has been prepared in accordance with U.S. GAAP. This presentation may contain references to certain financial measures (including forward-looking measures) that are not calculated in accordance with either IFRS or U.S. GAAP and are therefore considered "Non-GAAP financial measures" within the meaning of the U.S. federal securities laws. E.ON presents a reconciliation of these Non-GAAP financial Measures to the most comparable US-GAAP measure or target, either in this presentation or on its website at www.eon.com. Management believes that the Non-GAAP financial measures used by E.ON, when considered in conjunction with (but not in lieu of) other measures that are computed in accordance with IFRS or U.S. GAAP, enhance an understanding of E.ON's results of operations. A number of these Non-GAAP financial measures are also commonly used by securities analysts, credit rating agencies and investors to evaluate and compare the periodic and future operating performance and value of E.ON and other companies with which E.ON competes. These Non-GAAP financial measures should not be considered in isolation as a measure of E.ON's profitability or liquidity, and should be considered in addition to, rather than as a substitute for, net income, cash provided by operating activities and the other income or cash flow data prepared in accordance with IFRS or U.S. GAAP. In particular, there are material limitations associated with our use of Non-GAAP financial measures, including the limitations inherent in our determination of each of the relevant adjustments. The Non-GAAP financial measures used by E.ON may differ from, and not be comparable to, similarly-titled measures used by other companies.

This is to invite the shareholders of our Company to attend the ordinary **Shareholders Meeting**, which will be held on Thursday, May 3, 2007, at 10.00 a.m. in Grugahalle in 45131 Essen, Norbertstraße 2, Germany

Agenda for the Shareholders Meeting

1. Presentation of the adopted Financial Statements for the 2006 financial year along with the Combined Group Management Report for E.ON AG and the E.ON Group and the Report of the Supervisory Board as well as the presentation of the approved Consolidated Financial Statements

2. Appropriation of the Balance Sheet Income from the 2006 financial year

The Supervisory Board and the Board of Management propose that the balance sheet income available from the 2006 financial year in the amount of €2,209,650,851.15 be used to pay a dividend of €3.35 per no-par value share entitled to dividend payment.

3. Discharge of the Board of Management for the 2006 financial year

The Supervisory Board and the Board of Management propose that discharge be granted.

4. Discharge of the Supervisory Board for the 2006 financial year

The Supervisory Board and the Board of Management propose that discharge be granted.

5. Authorization to acquire and use own shares

The authorization granted to the Board of Management by the Shareholders Meeting on May 4, 2006, pursuant to Section 71 paragraph 1 No. 8 German Stock Corporation Act (AktG) to acquire own shares is limited until November 4, 2007, and shall therefore be renewed. The proposed resolution governs the Company's options to acquire own shares and their subsequent use.

The Supervisory Board and the Board of Management therefore propose that it be decided:

- a) Until November 3, 2008, the Company is authorized to acquire own shares up to a total of ten percent of the share capital. The shares acquired and other own shares, that are in possession of or to be attributed to the Company pursuant to Sections 71a et seq. of the German Stock Corporation Act (AktG) must altogether at no point in time account for more than ten percent of the share capital.

At the discretion of the Board of Management, the acquisition may be conducted (1) through a stock exchange, (2) by means of a publicly issued formal offer or a public solicitation to the shareholders to submit offers (hereinafter "Acquisition Offer"), (3) by means of a publicly issued formal offer or a public solicitation to the shareholders to submit offers for the exchange of liquid shares, which are admitted to trading on an organized market within the meaning of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz) (hereinafter "Exchange Shares"), against shares of the Company, (hereinafter "Exchange Offer") or (4) by using derivatives (put or call options or a combination of both).

- aa) If the acquisition is conducted on a stock exchange, the consideration paid by the Company for each share of the Company may not exceed the average market price of the shares on the Frankfurt Stock Exchange during the last three exchange trading days prior to the acquisition of the shares, as determined based on the arithmetic means of the XETRA trading's final auction prices, by more than ten percent and may not fall below such arithmetic means by more than twenty percent (not including incidental acquisition costs).

- bb) If the acquisition is conducted through an Acquisition Offer, the Company may either fix a purchase price or a purchase price range, at/within which it is prepared to acquire the shares.

The purchase price may, however,—subject to an adjustment during the offer period—not exceed, respectively, fall below the average market price of the Company's shares on the Frankfurt Stock Exchange on the 5th, 4th, and 3rd exchange trading day prior to the public announcement of the Acquisition Offer, as determined based on the arithmetic means of the XETRA trading's final auction prices, by more than twenty percent (not including incidental acquisition costs). If, after the public announcement, there are significant fluctuations in the relevant share price, the purchase price may be adjusted accordingly. In this case, the average market price of the shares on the Frankfurt Stock Exchange on the 5th, 4th, and 3rd exchange trading day prior to the public announcement of any such adjustment, as determined based on the arithmetic means of the XETRA trading's final auction prices, shall be decisive. The Acquisition Offer may provide for further requirements.

In the event the Acquisition Offer is oversubscribed, the acceptance should in general be effected in proportion to the respective shares offered. However, a preferred acceptance of small offers or small parts of offers of up to a maximum of 150 shares shall be admissible.

- cc) If the acquisition is conducted through an Exchange Offer, the Company may either determine an exchange ratio or a corresponding exchange range, at/within which it is prepared to acquire the shares of the Company. In doing so, it may pay a cash consideration as a supplementary purchase price payment or in order to compensate for any fractional amounts.

The exchange ratio, respectively, the exchange range in the form of one or several Exchange Shares and calculatory fractions (in each case including any fractional amounts, however, not including incidental acquisition costs) may—subject to any adjustment during the offer period—not exceed, respectively, fall below the relevant value of a share of the Company by more than twenty percent. Basis for calculating the exchange ratio, respectively, the exchange range in each case shall be the average market prices of the Exchange Shares and of the Company's shares on the Frankfurt Stock Exchange on the 5th, 4th, and 3rd exchange trading day prior to the public announcement of the Exchange Offer, as determined based on the arithmetic means of the XETRA trading's final auction prices. If the public announcement results in deviations from the relevant price of the Company's shares, respectively, of the Exchange Shares, which are not merely insignificant, the exchange ratio, respectively, the exchange range may be adjusted. In this case, the average market price of the Exchange Shares and of the Company's shares on the Frankfurt Stock Exchange on the 5th, 4th, and 3rd exchange trading day prior to the public announcement of any adjustment, as determined based on the arithmetic means of the XETRA trading's final auction prices shall be decisive. The Exchange Offer may provide for further requirements.

In the event the Exchange Offer is oversubscribed, the acceptance should in general be effected in proportion to the respective shares offered. However, the preferred acceptance of small offers or small parts of offers of up to a maximum of 150 shares shall be admissible.

- dd) If the acquisition is effected using derivatives in the form of put or call options or a combination thereof, the option transactions must be entered into with a financial institution or via the stock exchange at conditions that are close to the market, for the determination of which, inter alia, the purchase price payable upon exercise of the option, the exercise price, shall be taken into account. In all cases using derivatives in the form of put or call options or a combination thereof, own shares up to the maximum of, in total, five percent of the share capital may be acquired. The term of the option may not exceed one year and ends no later than on November 3, 2008. The shareholders do not have the right—applying Section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (AktG) accordingly—to enter into such option transactions with the Company. The exercise price may not exceed the average market price of the Company's shares on the Frankfurt Stock Exchange during the last three exchange trading days prior to entering into the relevant option transaction, as determined based on the arithmetic means of the XETRA trading's final auction prices, by more than ten percent and may not fall below such arithmetic means by more than twenty percent (not including incidental acquisition costs, but taking into account the option premium paid, respectively, received).

The authorizations may be exercised in pursuance of one or several purposes by the Company but also by group companies or by third parties for the account of the Company or such group companies in full or for partial amounts, once or several times.

b) Besides selling shares via the stock exchange or by making an offer connected with the granting of subscription rights to all shareholders, the Board of Management shall be authorized, subject to the approval of the Supervisory Board, to use the shares of the Company, which were, respectively, are acquired on the basis of the authorization given under a) and/or based upon earlier authorizations of the Shareholders Meeting pursuant to Section 71 paragraph 1 No. 8 of the German Stock Corporation Act (AktG), while excluding the subscription right of the shareholders, as follows:

aa) The aforementioned shares of the Company may be sold and transferred against cash consideration if the selling price is not significantly lower than the stock exchange price of the Company's shares at the time of the sale (Section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (AktG)). The Board of Management may only use this authorization in such a way so that the sum of the shares sold pursuant to this authorization, of the shares issued utilizing the authorized capital against cash contribution (Section 3 paragraph 2 of the Articles of Association), and of the conversion and option rights for shares granted upon issuance of debentures with conversion or option rights, respectively, conversion obligations against cash contribution—in each case with the exclusion of the subscription right of the shareholders—does not exceed ten percent of the share capital at the time the resolution about the sale of the shares is passed.

bb) The aforementioned shares of the Company may be sold and transferred against contributions in kind, particularly in the context of mergers or the acquisition of companies, business units, shareholdings, or other assets. Sale and transfer, as used here, shall also include the granting of conversion or subscription rights as well as purchase options and the lending of shares in the context of a securities lending transaction. The aforementioned shares may furthermore be used for ending, respectively, settling valuation proceedings under company law (*gesellschaftsrechtliche Spruchverfahren*) of companies affiliated with the Company.

cc) The aforementioned shares of the Company may be used in order to satisfy the rights of creditors of debentures with conversion or option rights, respectively, conversion obligations issued by the Company or by its group companies.

dd) The aforementioned shares of the Company may be offered for acquisition and transferred to individuals employed by the Company or an enterprise affiliated with it.

The authorizations may be exercised once or several times, in full or for partial amounts, individually or collectively by the Company, but also by group companies or by third parties for the account of the Company or such group companies.

The Board of Management shall furthermore be authorized to redeem the aforementioned shares without such redemption or its implementation requiring another resolution by the Shareholders Meeting.

c) In each case, the Board of Management will inform the Shareholders Meeting about the reasons for and the purpose of the acquisition of own shares, the number of own shares acquired, and the amount of the share capital attributable to them, their share in the share capital, and the shares' countervalue. Should the XETRA system be replaced by a comparable successor system, the latter shall take the place of the aforementioned XETRA system in this authorization.

d) The authorization for the acquisition and use of own shares given by the Shareholders Meeting on May 4, 2006, under Item 5 of the Agenda, which is limited in time until November 4, 2007, shall be cancelled once this new authorization comes into force.

6. Election of the auditors for the 2007 financial year

The Supervisory Board proposes that Pricewaterhouse-Coopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, be elected as auditors for the 2007 financial year.

Report of the Board of Management to the Shareholders Meeting pursuant to Section 71 paragraph 1 No. 8 in combination with Section 186 paragraph 4 sentence 2 of the German Stock Corporation Act (AktG) on Item 5 of the Agenda

The authorization is intended to give the Company the option to continue acquiring own shares and to redeem these in order to reduce any possibly oversized equity base, to use them in acquisitions as direct or indirect payment of the purchase price, or to satisfy claims of creditors of debentures with conversion or option rights or conversion obligations, to allot these to employees of the Company or of enterprises affiliated with the Company, or to resell them.

In its decision about the use of the own shares, the Board of Management will only be guided by the interests of the shareholders and of the Company. The Board of Management will report to the Shareholders Meeting if it makes any use of the proposed authorization.

In respect to the various possibilities for acquisition and disposal under the proposed authorization, the following details should be noted:

Acquisition through an Acquisition Offer or an Exchange Offer

Besides acquiring shares via the stock exchange, the Company is intended to be granted the option to acquire own shares through a public purchase offer or offer for the exchange of the Company's shares against other shares held by the Company aimed at the Company's shareholders. Furthermore, the acquisition may also be effectuated by means of a public solicitation to the shareholders to submit respective offers. For the Company, the public Exchange Offer constitutes an attractive alternative to the other forms of acquiring own shares. Thereby, the Company is awarded a larger degree of flexibility. At the same time, it becomes able to float shareholdings held by it by selling them to a wide range of investors. In order to determine an exchange ratio that is widely accepted on the market, shareholders may be asked to submit offers for an exchange within a range set by the Company.

When acquiring own shares through a public Acquisition Offer or Exchange Offer, the principle of equal treatment has to be complied with. In the event the Acquisition Offer or Exchange Offer is oversubscribed, the acceptance should in general be effected in proportion to the respective shares offered. It should, however, be permitted to provide for a preferred acceptance of small offers or small parts of offers of up to 150 shares. This serves to avoid fractional amounts when establishing acquisition quotas and small remainders, which makes technical processing easier. This rationale shall apply mutatis mutandis in the event the Company publicly solicits shareholders to submit offers and more shares are offered than the Company is willing to acquire.

Acquisition via Derivates (Put or Call Options)

The authorization also provides for the possibility of using derivatives in the form of put or call options or a combination thereof in the context of acquiring own shares. Using derivatives in the form of put or call options, or a combination thereof, own shares up to the maximum of, in total, five percent of the share capital may be acquired. Through these additional alternative courses of action, the Company expands its possibilities for structuring the acquisition of own shares in an optimal manner. The Board of Management intends to use put and call options only in addition to the conventional repurchase of shares.

It may be advantageous for the Company to sell put options or to acquire call options instead of acquiring shares of the Company directly.

When granting a put option, the Company grants the acquirer of the put option the right to sell shares of the Company to a price determined in the put option (exercise price) to the Company. As a so-called writer (Stillhalter) the Company is obliged to acquire the number of shares determined in the put option at the exercise price if the put option is exercised.

As consideration for this, the Company receives the option premium when granting the put option. If the put option is exercised, the option premium paid by the acquirer of the put option reduces the total consideration paid by the Company for the acquisition of the share.

Exercising the put option makes economic sense for the beneficiary, if the price of the share of the Company is below the exercise price. From the perspective of the Company, the repurchase of shares using put option has the advantage that the exercise price is determined already on the day on which the option is concluded. The liquidity, on the other hand, flows out only on the exercise date. If the option is not exercised because the share price is higher than the exercise price on the exercise date, the Company cannot acquire own shares in this manner. However, it can keep the option premium received on the day on which the option was concluded.

When acquiring a call option, the Company receives the right against payment of an option premium, to purchase a previously determined number of shares at a previously determined price (exercise price) from the seller of the option, the writer (Stillhalter). Accordingly, the Company acquires the right to buy own shares. The exercise of the call option makes economic sense for the Company, if the price of the Company's shares is above the exercise price, since it is then able to buy the shares from the writer at the lower exercise price. By acquiring call options, the Company may hedge itself against rising share prices and is only required to acquire as many shares as it actually needs at the later date. In addition, the Company's liquidity is spared, since the fixed acquisition price for the shares must be paid only when the call option is exercised.

The purchase price for the acquisition of the shares by the Company upon exercise of the option must not exceed the average market price of the shares on the Frankfurt Stock Exchange during the last three exchange trading days prior to the conclusion of the relevant option transaction, as determined based on the arithmetic means of the XETRA trading's final auction prices, by more than ten percent and may not fall below such arithmetic means by more than twenty percent (not including incidental acquisition costs, but taking into account the option premium received, respectively paid).

The option transactions described herein are to be concluded with a financial institution or via the stock exchange. The right of the shareholders to conclude such option transactions with the Company is excluded in corresponding application of Section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (AktG). Thereby, the management—unlike in the case of an offer for the acquisition of the options to all shareholders—is enabled to conclude option transactions on short notice. By the determination of the option premium and exercise price described above, the shareholders are not discriminated against economically during the acquisition of own shares using put and call options. Since the Company receives, respectively, pays a fair market price, the shareholders not participating in the option transactions do not lose any value. This corresponds to the position of the shareholders during a repurchase of shares via the stock exchange, where not all shareholders are actually able to sell shares to the Company. Insofar, the preconditions of Section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (AktG) are fulfilled, according to which an exclusion of subscription rights is justified, if the economic interests of the shareholders are safeguarded due to a price determination that is close to the market.

Resale of the acquired shares at a price close to the market

When reselling acquired own shares, the authorization provides that the subscription right may be excluded in accordance with Section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (AktG). The selling price will be closely oriented according to the respective current stock exchange price and may only fall immaterially below it, if at all.

This exclusion of the subscription right provided for by law (Section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (AktG)) serves the interest of the Company, enabling it, for example, to sell own shares to new shareholder groups at home and abroad. In this respect, opportunities may arise in particular under the conditions of the respective stock markets, which should be utilized quickly, flexibly, and in a cost-efficient manner.

The Board of Management will make use of this authorization only to the extent that the sum of the shares sold pursuant to this authorization, of the shares issued against contribution in cash utilizing the authorized capital, as well as the conversion or option rights, respectively, conversion obligations for shares granted when issuing debentures with conversion or option rights, respectively, conversion obligations against contribution in cash—in each case with the exclusion of the shareholders' subscription right—does not exceed ten percent of the share capital at the time the resolution about the disposal of the shares was made.

Resale of the acquired shares against, inter alia, consideration in kind

The authorization also provides for an exclusion of subscription rights to allow the shares to be used directly or indirectly in exchange for considerations in kind, particularly also within the scope of mergers or when acquiring companies, business units, shareholdings, or other assets. When acquiring companies, the Company is also faced with increasing global competition. This international competition as well as the globalization of the economy increasingly require companies to be in a position to use their own shares as consideration during planned acquisitions. The authorization proposed is intended to give the Company the required flexibility in order to be able to acquire companies or shareholdings therein quickly and flexibly in exchange for own shares without capital measures. Furthermore, the authorization provides for own shares to be used for ending, respectively, settling valuation proceedings under corporate law (*gesellschaftsrechtliche Spruchverfahren*). This provides the Company with more flexibility in order to settle such proceedings.

Resale of acquired shares in connection with convertible and option bonds as well as to employees

Furthermore, the authorization provides that own shares may be used under the exclusion of the shareholders' subscription right in order to satisfy conversion or option rights, respectively, conversion obligations of creditors of debentures issued by the Company or its group companies. This may be useful in order to partly or wholly use own shares for the fulfillment of conversion or option rights, respectively, for the fulfillment of the conversion obligations during a capital increase. However, it should be taken into account here that the debentures may generally be issued themselves only safeguarding the shareholders' subscription right so that indirectly the shareholders' subscription right is preserved.

Furthermore, acquired own shares may—while excluding the shareholders' subscription right—be offered for acquisition to employees of the Company or enterprises affiliated with it. It is also possible to use them in the context of stock-based compensation plans for transfer to the aforementioned employees.

Redemption of own shares

Finally, the own shares may be redeemed by the Company without any further resolution by the Shareholders Meeting. The Board of Management will only make use of this authorization if it believes after diligent consideration of all relevant issues that the redemption of the own shares is in the interest of the Company and thus of its shareholders.

Total Amount of Shares and Voting Rights

At the time of the calling of the General Meeting, the total outstanding share capital of the Company is divided into 692,000,000 no-par value shares issued to bearer. Only 659,597,269 of these shares bear voting rights since the voting rights vested in 32,402,731 shares that are currently held by or attributed to the Company as own shares may not be exercised.

Shareholder Motions and Nominations

The Board of Management will announce possible shareholder motions and nominations pursuant to Sections 125 et seq. of the German Stock Corporation Act (AktG) only if the petitioners provide proof of their capacity as shareholders.

Shareholder motions and nominations are to be exclusively directed to:

E.ON AG
 Re: Motions for Shareholders Meeting
 E.ON-Platz 1
 40479 Düsseldorf
 Germany
 Fax: +49 (0)211-4579-610
 E-mail: motions@eon.com

Motions and nominations received in time under this address will be made accessible to the other shareholders on the Internet under www.eon.com.

Attendance at Shareholders Meeting

Entitled to attend and vote at the Shareholders Meeting are only those shareholders, who have registered by the end of April 26, 2007, in text form, in German or in English language (Section 126b German Civil Code (BGB)).

The shareholders must in addition prove their right to participate in the Shareholders Meeting and to exercise the voting right. This must occur by the end of April 26, 2007, by presenting proof about the shareholding as per April 12, 2007, issued by the institution, where the shares are deposited, in text form (Section 126b of the German Civil Code (BGB)), in German or English language.

The requisite registration of the shareholders as well as the proof issued by the institution, where the shares are deposited, must have been received by the Company no later than on April 26, 2007, at the address stated by it.

E.ON AG
 c/o
 Bayerische Hypo- und Vereinsbank AG
 FMS5HV
 80311 München
 Fax: +49 (0)89-5400-2519
 E-mail: shareholdersmeeting@hvb.de

Upon provision of the aforementioned registration and proof of entitlement, the Company will issue admission tickets, entitling the holders to attend the Shareholders Meeting.

Proxy Voting

Shareholders, who do not want to attend the Shareholders Meeting in person, may exercise their voting rights by proxy, e.g. through a bank or a shareholder association. Shareholders will receive a form for granting power of attorney together with the admission ticket or upon request.

In addition, we offer to our shareholders to grant already prior to the Shareholders Meeting power of attorney to proxy holders nominated by the Company in writing to E.ON AG, c/o Computershare HV-Services AG, Prannerstraße 8, 80333 München, Germany, or by Fax +49 (0)8138-9306-9980, who will cast their votes according to the instructions given by the shareholders. Those shareholders, who wish to grant a power of attorney to the proxy holders nominated by the Company, will require an admission ticket to the Shareholders Meeting for this.

Shareholders will receive the admission ticket to the Shareholders Meeting following registration and proof of their entitlement to attend, as described above.

Instead of in writing or by fax, proxy and instructions to the proxy holders nominated by the Company may alternatively be issued electronically over the Internet using the procedure determined by the Company. Such proxy and instructions may still be issued, respectively, changed even during the Shareholders Meeting until 11.00 a.m. (CET).

The details pertaining to the granting of proxy and issuance of instructions to the proxy holders appointed by the Company are described in an instruction leaflet, which will be mailed to the shareholders together with the admission ticket. The corresponding information is also available over the Internet under www.eon.com.

Düsseldorf, March 2007

The Board of Management

Comprehensive Annual Report

The Annual Report contains details of the Financial Statements of our Company and group. The Annual Report is available from E.ON AG, E.ON-Platz 1, 40479 Düsseldorf, Germany, and can be downloaded over the Internet at www.eon.com.

Questions during the Shareholders Meeting

Shareholders wishing to ask questions at the Shareholders Meeting are kindly requested to submit inquiries to E.ON AG in writing prior to the Shareholders Meeting, if possible.

Dividend Payment

The dividend will be paid out by the depositary banks from Friday, May 4, 2007 according to the resolution of the Annual Shareholders Meeting. The dividend will normally be subject to a deduction of 20 percent withholding tax and 1.1 percent solidarity surcharge (= 5.5 percent of the withholding tax), resulting in total tax deductions of 21.1 percent.

For **German resident shareholders** the withholding tax and solidarity surcharge will be credited against their income tax or corporate income tax and solidarity surcharge liabilities and refunded in the case of overpayment.

Withholding tax and solidarity surcharge will not be deducted in the case of shareholders who have submitted to the depositary bank a "non-assessment certificate" issued by the German tax authorities. The same applies to shareholders who have submitted an "exemption certificate" to their depositary bank to the extent that the exempted amount has not already been set against other income from capital investments. Only the taxable part of the dividend is set against the exempted amount (half-income principle).

Foreign shareholders may be able to benefit from a double tax treaty between their country of residence and Germany. The applicable withholding tax rate and therefore the amount of solidarity surcharge is generally reduced under these agreements. Claims for repayment must be submitted to the German *Bundeszentralamt für Steuern*, 53225 Bonn, Germany, by December 31, 2011 at the latest.

A handwritten signature in black ink that reads "Dear Shareholders,".

In the 2006 financial year E.ON again posted improvements in all its key financial figures. We more than offset the considerable adverse effects of the regulation of Germany's power and gas networks, in particular by achieving operating improvements in other parts of our business and through the first-time consolidation of newly acquired companies. This positive development demonstrates that the systematic and rapid transformation of E.ON into a focused power and gas company along with the targeted expansion of our market positions was the right course to take. In recent years, we've achieved growth in Central and Eastern Europe, for example in Romania, Bulgaria, and Hungary, where in 2006 we completed the acquisition of MOL's gas business.

E.ON now supplies customers with power and gas in more than 20 countries. We have been and will continue to be a pacesetter for the integration of the EU's regional markets into a single European market for energy. That's why we support the European Commission's goal of developing a consistent, long-term energy policy and better integrating what have until now largely been national energy markets. At the present time, European markets vary significantly. The United Kingdom has fairly high switch rates among both power and gas customers and has a good deal of experience with energy market regulation, whereas Germany and Continental Europe still have a way to go in these areas. That's why we've seized the initiative for more competition in Germany's power and gas markets in all parts of the value chain, from generation and transport to end-customers.

For example, we're working to increase capacity for cross-border power transfer which will provide an important foundation for increasing the volume of European power trading. Similarly, we actively support efforts to bring together Europe's predominantly national power exchanges to form a Europe-wide power trading marketplace. We're also putting the pressure on in Germany's natural gas market. By combining the market areas of our transport pipeline system in Germany, by building additional pipeline capacity for natural gas imports, by auctioning storage capacity, and by supporting the creation of a German natural gas exchange, we're providing decisive impetus to gas trading on what is Europe's biggest gas market. And we expect our new retail energy supplier "E wie Einfach" ("E as in Easy"), which was launched on February 1, 2007, to shake up Germany's retail power and gas markets.



We're stimulating competition because we're convinced that commercial initiatives are always preferable to anti-market intervention. It's particularly doubtful that competition would be enhanced by requiring utilities to relinquish ownership of their power and gas networks. Ownership unbundling would be a serious infringement of your rights as the owners of this company. And that's something we can't allow. But there's no need for ownership unbundling, since the existing legal and regulatory framework is sufficient to ensure nondiscriminatory network access. This kind of intervention would not only have no effect on competition, it would also create uncertainty and thus endanger urgently needed investments in our security of supply. And enhancing energy security is one of the key challenges faced by Europe, whose energy needs are rising while the competition for resources is becoming significantly fiercer.

We're doing more than any other European energy company to meet this challenge. Over the next three years, we're going to invest more than €25 billion, mainly in state-of-the-art power plants and network infrastructure and in natural gas production. In 2006 we took important steps to improve Europe's energy security. We're deepening our natural gas partnership with Russia through new supply contracts that today secure one third of our current natural gas procurement needs through to 2036, our plan to acquire a stake in Yushno Russkoye gas field in Siberia, and the new Baltic Sea pipeline. We're also looking at new supply pathways and new source countries for natural gas because broad diversification is the only way to prevent being overdependent. One highly promising option is liquefied natural gas ("LNG"). We want to help shape this business. Our plans for Germany's first LNG terminal, to be sited in Wilhelmshaven, are moving forward. We're also pursuing LNG projects on the Croatian island of Krk and on the English Isle of Grain. We're holding intensive talks with potential suppliers and have already concluded a cooperative agreement with Algeria's Sonatrach, the world's fourth-largest LNG producer.

Our investments in our power business will also enhance energy security for our customers. Over the next few years, we'll invest more than €11 billion to modernize existing power plants and to build new, state-of-the-art combined-cycle gas turbines and coal-fired plants in Germany, Italy, the Netherlands, the United Kingdom, Sweden, and Central and Eastern Europe. We also have a number of wind power projects—particularly offshore wind farms in the United Kingdom, Germany, and Northern Europe—and a biomass power plant, in various stages of planning. These new generating facilities will also increase the supply of electricity in these markets, which will stimulate competition and, over the long term, lead to lower electricity prices. In addition, we're already planning for the future. In Germany we intend to start building the world's first coal-fired power plant with a thermal efficiency of more than 50 percent in 2010. We're also working on the next generation of coal technology—carbon capture—and plan to build pilot plants in Germany, the United States, and the United Kingdom.

Innovative technologies for power and gas supply form the technical backbone of our company as we compete in the marketplace. It's clear that it takes a strong company to make these significant investments in natural gas supply, power plants, and network infrastructure. Our results demonstrate that we're up to the task. We grew sales in 2006 by 21 percent to €67.8 billion. Our adjusted EBIT of €8.2 billion surpassed the prior year's record figure by 12 percent. Our return on capital employed of 13.2 percent was well above our pretax cost of capital of 9 percent. This raised our value added to €2.6 billion. E.ON stock also performed well in 2006, closing the year more than 17 percent higher—and this after a 30 percent increase in the previous year. In fact, shareholders who reinvested their dividends (including the special dividend) saw the value of their E.ON portfolio increase by 26.6 percent in 2006. E.ON thus outperformed Germany's DAX index (which gained 22 percent on the year) and the EURO STOXX 50 (which gained 18 percent). We believe that E.ON stock is attractive to investors and that this is enhanced by our dividend policy. At the Annual Shareholders Meeting on May 3, 2007, we will propose that the dividend be raised by 22 percent to €3.35 per share. Per-share dividends have therefore increased by 15.9 percent on average per year since 2001.

We're also optimistic about the current year. We expect that our 2007 adjusted EBIT will slightly surpass the high prior-year figure. We're setting out to accomplish a lot this year. We're carrying out the most ambitious investment program in our company's history. We're continuing the process begun last February of acquiring the Spanish energy utility Endesa. Since announcing the offer, we've cleared a number of difficult political and legal hurdles.

Now it's Endesa shareholders' turn to speak. They have until the March 29 deadline to decide on our offer. We plan to stick to our offer, even after it was announced in late February that Enel, an Italian power company, had purchased Endesa stock. We continue to work with undiminished energy to convince Endesa shareholders of the advantages of our offer.

This program represents a significant challenge for E.ON and above all for our employees. But when I see the skill, dedication, and enthusiasm with which they meet these challenges, I know we're going to get there. When you have a team that enthusiastically sets off for new shores, every challenge is an opportunity.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'W. Bernotat', with a large, stylized flourish at the end.

Dr. Wulf H. Bernotat
Düsseldorf
March 7, 2007

This letter to shareholders contains certain financial measures (adjusted EBIT, ROCE, and value added) that are not calculated in accordance with IFRS or U.S. GAAP and are therefore considered "non-GAAP financial measures" within the meaning of the U.S. federal securities laws. In accordance with applicable rules and regulations, E.ON has presented in this report a reconciliation or derivation of each non-GAAP financial measure to the most directly comparable U.S. GAAP measure for historical measures with an equivalent U.S. GAAP target for forward-looking measures (please see the commentary on non-GAAP financial measures on the inside front cover of this report).



0.45 kWh for special memories

Energy fuels economies. In 2006 we delivered 400 billion kilowatt-hours of electricity and 949 billion kilowatt-hours of natural gas to our customers in more than 20 countries. Our energy makes an important contribution to the work and well-being of millions of people.
Safely and reliably.

For each of our customers, our energy is what makes many special moments in life possible. From a meal cooked with friends to the memories captured on home movies, from a relaxing evening by the fire to the pulsating sound of a rock concert. Everyday situations and special occasions become brighter, warmer, and more exciting. Because we provide the right energy.
Today and tomorrow.

To make sure this remains so in the future, we are hard at work today to ensure energy supply security tomorrow. In order to achieve this, we are investing in state-of-the-art power plants, more renewables capacity, and robust energy networks. We are further diversifying our natural gas procurement through investments in our own production assets, long-term supply agreements, and promising LNG projects. So that our customers' energy supply remains secure well into the future.
Energy for life. All the time.

- Adjusted EBIT up 12 percent
- Cash provided by operating activities above prior-year level
- Management to propose raising dividend to €3.35
- 2007 adjusted EBIT expected to slightly surpass prior-year level

E.ON Group ¹			
€ in millions	2006	2005 ²	+/- %
Sales	67,759	56,141	+21
Adjusted EBITDA ³	11,353	10,194	+11
Adjusted EBIT ³	8,150	7,293	+12
Net income	5,057	7,407	-32
Adjusted net income ⁴	4,386	3,640	+20
ROCE ⁵ (in %)	13.2	12.2	+1 ⁶
Value added ⁵	2,586	1,920	+35
Cash provided by operating activities	7,194	6,544	+10
Net financial position ⁷ (at year end)	-268	1,917	-
Investments ⁸	5,161	3,941	+31
Employees (at year end)	80,612	79,570	+1

¹All subsequent commentary for the E.ON Group also applies to E.ON AG.
²Adjusted for discontinued operations.
³Non-GAAP financial measure, see reconciliation to net income on page 18.
⁴Non-GAAP financial measure, see reconciliation to net income on page 20.
⁵Non-GAAP financial measure, for derivation see the section entitled "ROCE and Value Added."
⁶Change in percentage points.
⁷Non-GAAP financial measure, see reconciliation on page 25.
⁸Excludes other financial assets.

Earnings Situation

Economic development in 2006 was as robust worldwide as in the eurozone, the United Kingdom, Scandinavia, and the United States. Energy consumption, however, was stagnant in the regions where we operate. Energy consumption rose only incrementally in Germany and remained unchanged in U.K. and Nordic's sales territories, while electricity and natural gas consumption declined in Kentucky. On the whole, our business developed well in this environment. We increased adjusted EBIT more than we had anticipated at year end 2005. Three of our market units—U.K., Nordic, and U.S. Midwest—operate outside the eurozone. With the exception of U.K., the respective foreign-exchange rates did not have a significant impact on our earnings situation in 2006.

Sales

Central Europe, Pan-European Gas, and U.K. all contributed to the significant increase in sales, which was mainly due to the following factors: the global increase in commodity and energy prices which led to higher average power and natural gas prices, the inclusion of newly consolidated regional

utilities particularly in Bulgaria, Hungary, Romania, and the United Kingdom, and weather-driven volume increases in the natural gas business.

Sales			
€ in millions	2006	2005 ¹	+/- %
Central Europe	28,380	24,295	+17
Pan-European Gas	24,987	17,914	+39
U.K.	12,569	10,176	+24
Nordic	3,204	3,213	-
U.S. Midwest	1,947	2,045	-5
Corporate Center	-3,328	-1,502	-
Sales	67,759	56,141	+21

¹Adjusted for discontinued operations.

Central Europe grew sales by €4 billion relative to the prior year. The increase is attributable to the expansion of its operations (particularly in Central Europe East), adjustments to power and gas prices resulting from the global rise in commodity and energy prices, and the passthrough of the costs of the significantly greater volume of electricity purchased under Germany's Renewable Energy Law.

Pan-European Gas increased sales by €7 billion to €25 billion in 2006. Sales growth in the midstream business resulted primarily from higher sales volumes in conjunction with higher average sales prices. Higher sales prices for oil and natural gas also had a positive effect on sales in the upstream business. The inclusion of E.ON Ruhrgas UK North Sea Limited (formerly Caledonia Oil and Gas) was another particularly positive factor. Pan-European Gas increased its stake in Njord Field in Norway, which also had a positive effect on sales. Consolidation effects were responsible for a significant increase in sales at Downstream Shareholdings.

U.K. increased its sales in 2006 compared with the prior year primarily due to price increases in the retail business brought on by higher wholesale power and natural gas prices.

¹This is an abridged version of the Combined Group Management Report published in the 2006 E.ON Annual Report. Commentary for depreciation, amortization and impairments affecting adjusted EBIT and the table regarding the reconciliation of adjusted interest income are transferred from the Notes to the Consolidated Financial Statements.

1,67 kWh for cooking with friends



Nordic's sales of €3.2 billion remained stable compared with the prior year. Sales declines due to the decrease in hydro-power and nuclear generation were offset by higher average sales prices.

U.S. Midwest's sales were lower compared to the prior year primarily due to lower sales volumes resulting from milder weather in 2006. These effects were partially offset by higher revenues on environmental capital spending in the regulated business.

Adjusted EBIT

Earnings before interest and taxes and adjusted to exclude certain extraordinary items ("adjusted EBIT") is our key figure for purposes of internal management control and as an indicator of a business's long-term earnings power. Adjusted EBIT enables us to measure the operating performance of our individual market units

Adjusted EBIT is derived from income/loss (-) from continuing operations before income taxes and interest income and adjusted to exclude certain extraordinary items. The adjustments include book gains and losses on disposals, restructuring expenses, and other nonoperating income and

expenses of a nonrecurring or rare nature. In addition, interest income is adjusted using certain economic criteria. In particular, the interest portion of additions to provisions for pensions resulting from personnel expenses is allocated to interest income. The interest portions of the allocations of other long-term provisions are treated analogously to the degree that, in accordance with U.S. GAAP, they are reported on different lines of the Consolidated Statements of Income.

The positive earnings trend of the first three quarters of 2006 continued in the fourth. Our adjusted EBIT for 2006 significant surpassed the high prior-year level.

Adjusted EBIT			
€ in millions	2006	2005 ¹	+/- %
Central Europe	4,168	3,930	+6
Pan-European Gas	2,106	1,536	+37
U.K.	1,229	963	+28
Nordic	619	766	-19
U.S. Midwest	391	365	+7
Corporate Center	-416	-399	-
Core Energy Business	8,097	7,161	+13
Other Activities ²	53	132	-60
Adjusted EBIT³	8,150	7,293	+12

¹Adjusted for discontinued operations.

²This segment consists of Degussa, which is accounted for using the equity method.

³Non-GAAP financial measure; see the table on the next page for a reconciliation to net income.

Central Europe's adjusted EBIT rose by €238 million despite considerable adverse effects totaling €640 million from the new regulation of network charges in Germany. These negative effects were offset by higher margins in other areas. The other main factors in the earnings improvement were significant nonrecurring earnings from the sale of shareholdings and the absence of provisions for nuclear operations taken in the prior year.

Pan-European Gas's adjusted EBIT increased by €570 million. Natural gas prices are contractually linked to heating oil prices, which they track with a time lag. Continually rising oil prices negatively impacted adjusted EBIT in 2005, whereas in 2006 the price adjustment for natural gas to reflect continued high oil prices along with growth in the export business led to positive earnings development. The impairment charges taken on shareholdings in the wake of the new regulation of network charges in Germany adversely affected adjusted EBIT by €188 million.

U.K.'s adjusted EBIT rose by €266 million, principally due to price rises, increased value from the generation fleet, and the impact of profit and cost initiatives. Another key positive factor was the tariff increase in the regulated business approved by the regulator as part of a price review. These positive effects were moderated by higher natural gas procurement costs. Adjusted EBIT was also adversely impacted by higher pension and foreign-exchange costs.

Nordic's adjusted EBIT decreased by €147 million year on year to €619 million. Compared with the prior year, adjusted EBIT was negatively impacted by lower generation from hydro and nuclear assets, by increased taxes on installed hydro and nuclear capacity, and by the absence of earnings streams from the hydropower assets sold to Statkraft.

U.S. Midwest's adjusted EBIT increased by €26 million. The main factors were cost savings due to the exit from Midwest Independent Transmission System Operator ("MISO") and lower operating expenses as a result of the completion of the amortization of prior restructuring costs.

Net Income

Net income (after income taxes and minority interests) of €5.1 billion was 32 percent below the prior-year level. As anticipated, we did not repeat the extraordinarily high net income figure posted in 2005, which resulted in particular from the book gains on our successful Viterra and Ruhrgas Industries disposals.

Net Income			
€ in millions	2006	2005 ¹	+/- %
Adjusted EBITDA²	11,353	10,194	+11
Depreciation, amortization, and impairments affecting adjusted EBIT ³	-3,203	-2,901	-
Adjusted EBIT²	8,150	7,293	+12
Adjusted interest income (net) ⁴	-1,081	-1,027	-
Net book gains	1,205	491	-
Restructuring expenses	-	-29	-
Other nonoperating earnings	-3,141	424	-
Income/Loss (-) from continuing operations before income taxes and minority interests	5,133	7,152	-28
Income taxes	323	-2,261	-
Minority interests	-526	-536	-
Income/Loss (-) from continuing operations	4,930	4,355	+13
Income/Loss (-) from discontinued operations, net	127	3,059	-
Income/Loss (-) from cumulative effect of changes in accounting principles, net	-	-7	-
Net income	5,057	7,407	-32

¹Adjusted for discontinued operations.

²Non-GAAP financial measure.

³In 2006 and 2005, the impairment charges recognized in adjusted EBIT differed from the impairment charges recorded in accordance with U.S. GAAP. In 2006, non-operating earnings can be traced to regulatory impairments on property, plant and equipment and on shareholdings at the Central Europe and Pan-European Gas market units. In addition, impairments have again been recorded in the area of generation, specifically cogeneration facilities at the U.K. market unit. Additional impairments concern intangible assets and property, plant and equipment at the Pan-European Gas, U.K. and Nordic market units. In 2005, the difference was the result of impairments recorded in the area of generation, specifically cogeneration facilities at the U.K. market unit. The commentary is transferred from Note 31 of the Notes to the Consolidated Financial Statements.

⁴See the table on the next page for a reconciliation to interest income.

Interest Income ¹		
€ in millions	2006	2005
Net interest expense	-194	-256
(+) Income from loans	31	31
(-) Accretion expense related to the adoption of SFAS 143	524	511
Interest and similar expenses (net)	-687	-736
(+) Non-operating interest income (net) ²	-5	-39
(-) Interest portion of long-term provisions	389	252
Adjusted interest income (net)	-1,081	-1,027

¹The reconciliation is transferred from Note 31 of the Notes to the Consolidated Financial Statements.

²This figure is calculated by adding interest expenses and subtracting interest income. In 2005, non-operating interest income primarily related to an eliminated provision for interest that had been recognized in previous years.

Adjusted interest income (net) was €54 million below the prior-year figure. Higher interest expenses for nuclear waste management compared with the previous year were partially offset by lower interest expenses for pensions at the Central Europe and Pan-European Gas market units and the Corporate Center.

Net book gains in 2006 were significantly above the prior-year figure and resulted primarily from the sale of institutional securities funds (€619 million) and the Degussa transaction (€376 million). In the previous year, book gains resulted mainly from the sale of institutional securities funds (€371 million) and from the merger of Gasversorgung Thüringen and TEAG (€90 million).

Restructuring expenses did not occur in 2006. Restructuring expenses of €29 million in the prior year resulted principally from the integration of Midlands Electricity at the U.K. market unit.

Other nonoperating earnings primarily reflect the fulfillment of derivative gas procurement contracts and the marking to market of energy derivatives, particularly at the U.K. market unit. We use derivatives to protect our operating business from the effects of price fluctuations. At year end 2006, the marking to market of derivatives resulted in a negative earnings effect of approximately €2.7 billion. As a result of the reductions to network charges mandated by the German

Federal Network Agency, we carried out intraperiod impairment tests of the network infrastructure and certain shareholdings of Central Europe and Pan-European Gas. The tests resulted in impairment charges totaling €374 million for natural gas distribution networks and for minority shareholdings with network operations. There was no need for impairment charges on electricity networks. In addition, we recorded impairment charges of €35 million on CHP assets in U.K.'s generation business and impairment charges totaling €139 million on intangible assets and property, plant, and equipment at Pan-European Gas, U.K., and Nordic. This is partly counteracted by effects from the first-time consolidation of Versorgungskasse Energie at Central Europe (€83 million). In the previous year, effects from the marking to market of derivatives resulted in a positive earnings contribution of about €1.2 billion. The negative effects in the previous year included the impairment charges taken at Degussa's Fine Chemicals division and costs relating to the severe storm in Sweden in early 2005. The prior-year figure was also adversely affected by impairment charges in U.K.'s generation business and impairment charges on deferred tax assets at the Corporate Center.

Despite our positive operating performance, income/loss (-) from continuing operations before income taxes and minority interests is considerably below the prior-year figure. The main factors were the effects of the marking to market of derivatives and impairment charges totaling €562 million at our natural gas operations resulting from the new regulation of network charges in Germany. Of this figure, €188 million was recognized in adjusted EBIT, €374 million in other nonoperating earnings. In addition, we created provisions of €551 million to address the expected consequences of the refund of so-called overcharges.

Our continuing operations recorded tax income of €323 million in 2006. The change from the prior-year figure results mainly the following effects: current income taxes were reduced from about €1.3 billion to €0.5 billion due to a higher share of tax-free income and the initial application of corporate tax credits. In addition, losses from the marking to market of energy derivatives results in deferred tax income of approximately €1.2 billion.

Income/Loss (-) from discontinued operations, net, mainly includes the results of E.ON Finland, which was sold in June 2006, and Western Kentucky Energy, which is held for sale. Pursuant to U.S. GAAP, their results are reported separately in the Consolidated Statements of Income. In the prior-year reporting period, this item also contained the results, including the book gains on the disposals, of Viterra and Ruhrgas Industries, which were sold in 2005.

Adjusted Net Income

In addition to our operating performance, net income also reflects extraordinary effects. Adjusted net income is an earnings figure after interest income, incomes taxes, and minority interests that has been adjusted to exclude certain extraordinary effects. The adjustments include net book gains, restructuring expenses, other nonoperating income and expenses (after taxes and minority interests), and extraordinary tax effects. Adjusted net income also excludes income/loss (-) from discontinued operations, net, and from the cumulative effect of changes in accounting principles, net.

Adjusted Net Income			
€ in millions	2006	2005	+/- %
Net income	5,057	7,407	-32
Nonoperating earnings, net, and extraordinary tax effects ¹	-544	-715	-
Income/Loss (-) from discontinued operations, net, and from the cumulative effect of changes in accounting principles, net	-127	-3,052	-
Adjusted net income²	4,386	3,640	+20

¹Extraordinary tax effects primarily reflect corporate tax credits of €1.3 billion.
²Non-GAAP financial measure.

ROCE and Value Added

Groupwide Value-Oriented Management Approach

Our corporate strategy is aimed at delivering sustainable growth in shareholder value. We have put in place a groupwide planning and controlling system to assist us in planning and managing E.ON as a whole and our individual businesses with an eye to increasing their value. This system ensures that our financial resources are allocated efficiently.

E.ON's key performance metrics are return on capital employed ("ROCE") and value added. To monitor the periodic performance of our business segments, we compare each segment's ROCE with its business-specific cost of capital. In addition to ROCE, which is a relative performance metric, we also measure performance using value added, which is an absolute performance metric.

Cost of Capital

The cost of capital employed is determined by calculating the weighted-average cost of equity and debt. This average represents the market-rate returns expected by stockholders and creditors. The cost of equity is the return expected by an investor in E.ON stock. The cost of debt equals the long-term financing terms (after taxes) that apply in the E.ON Group. The premises of the cost of capital determination are reviewed on an annual basis. The cost of capital is adjusted if there are significant changes.

The table at right illustrates the derivation of the cost of capital before and after taxes. For 2006, the E.ON Group's average cost of capital was unchanged at 5.9 percent after taxes and 9 percent before taxes. The individual market units' minimum ROCE requirement varies between 8 percent and 9.2 percent before taxes.

We are currently reviewing the costs of capital for the E.ON Group and the market units, among other factors due to the planned acquisition of Endesa.

Cost of Capital		2006
Risk-free interest rate		5.1%
Market premium ¹		5.0%
Beta factor ²		0.7
Cost of equity after taxes		8.6%
Cost of debt before taxes		5.6%
Tax shield (tax rate: 35%) ³		-2.0%
Cost of debt after taxes		3.6%
Share of equity		45%
Share of debt		55%
Cost of capital after taxes		5.9%
Tax rate		35%
Cost of capital before taxes		9.0%

¹The market premium reflects the higher long-term returns of the stock market compared with German treasury notes.
²The beta factor is used as an indicator of a stock's relative risk. A beta of more than one signals a higher risk than the risk level of the overall market; a beta factor of less than one signals a lower risk.
³The tax shield takes into consideration that the interest on corporate debt reduces a company's tax burden.

Analyzing Value Creation by Means of ROCE and Value Added

ROCE is a pretax total return on capital. It measures the sustainable return on invested capital generated by operating a business. ROCE is defined as the ratio of adjusted EBIT to capital employed. We use adjusted EBIT as our earnings metric because it is net of the effects of taxes and financial transactions. Moreover, adjusted EBIT does not include one-off and infrequent effects. In particular, these include book gains, restructuring expenses, and other nonoperating expenses and income.

Capital employed represents the interest-bearing capital tied up in the group. Capital employed is equal to a segment's operating assets less the amount of noninterest-bearing available capital. Goodwill from acquisitions is included at acquisition cost, as long as this reflects its fair value.

As in the prior year, capital employed does not include the marking to market of other share investments. The purpose is to provide us with a more consistent picture of our ROCE performance. Other share investments are recorded in the Consolidated Balance Sheets at their mark-to-market valuation. However, changes in their market value do not affect adjusted EBIT but are recorded under stockholders' equity, resulting in neither profit nor loss. This applies primarily to our shares in Gazprom.

Value added measures the return that exceeds the cost of capital employed. It is calculated as follows:

$$\text{Value added} = (\text{ROCE} - \text{cost of capital}) \times \text{capital employed}$$

The table at right shows the E.ON Group's ROCE, value added, and their derivation.

E.ON Group ROCE and Value Added		
€ in millions	2006	2005
Adjusted EBIT¹	8,150	7,293
Goodwill, intangible assets, and property, plant, and equipment	61,585	60,811
+ Shares in affiliated and associated companies and other share investments	21,358	19,426
- Adjustment for mark-to-market valuation ²	8,789	5,677
+ Inventories	3,990	2,457
+ Accounts receivable	9,756	8,269
+ Other noninterest-bearing current assets, including prepaid expenses and deferred taxes	13,991	15,520
- Noninterest-bearing provisions ³	13,375	10,685
- Noninterest-bearing liabilities, including deferred income and deferred taxes	28,363	28,289
Capital employed (at year end)	60,153	61,832
Capital employed (annual average)⁴	61,568	60,398
Capital employed (discontinued operations)⁵	-	410
Capital employed (continuing operations, annual average)	61,568	59,988
ROCE⁶	13.2%	12.2%
Cost of capital	9.0%	9.0%
Value added⁶	2,586	1,920

¹Non-GAAP financial measure; see reconciliation to net income on page 18.
²Capital employed no longer includes the mark-to-market valuation of other share investments or related deferred-tax effects.
³Noninterest-bearing provisions mainly include short-term provisions. They do not include provisions for pensions and nuclear waste management.
⁴In order to better depict intraperiod fluctuations in capital employed, annual average capital employed is calculated as the arithmetic average of the amounts at the beginning of the year, the end of the year, and the balance-sheet dates of the three interim reports. Capital employed amounted to €63,839 million, €61,157 million, and €60,859 million at March 31, June 30, and September 30, 2006, respectively.
⁵In 2005 the annual average capital employed of E.ON Finland was €410 million.
⁶Non-GAAP financial measure.

ROCE and Value Added by Segment

€ in millions	Central Europe		Pan-European Gas ¹		U.K.	
	2006	2005	2006	2005	2006	2005
Adjusted EBIT	4,168	3,930	2,106	1,536	1,229	963
÷ Capital employed	19,295	17,969	15,547	13,355	13,183	12,642
= ROCE	21.6%	21.9%	13.5%	11.5%	9.3%	7.6%
Cost of capital	9.0%	9.0%	8.2%	8.2%	9.2%	9.2%
Value added	2,431	2,318	824	441	13	-202

¹Capital employed no longer includes the mark-to-market valuation of other share investments. This applies primarily to our shares in Gazprom.

²Effective February 1, 2003, E.ON accounts for Degussa using the equity method. Capital employed therefore decreased to E.ON's 46.5 percent interest and, effective June 1, 2004, E.ON's 42.9 percent interest, in Degussa's book value. The income generated on capital equals E.ON's share in Degussa's net income (after taxes). The change in the consolidation method also affects the cost of capital. Effective 2003, Degussa's cost of capital equals the cost of equity after taxes. In 2006 Degussa's earnings contribution and capital employed are included until the company was transferred to RAG-Projektgesellschaft on March 31, 2006.

ROCE and Value Added Performance

Our integration and growth strategy is reflected in an additional improvement of the E.ON Group's ROCE and value added performance. In 2006 our ROCE and value added were again higher compared with the prior year. With a ROCE of 13.2 percent, we substantially exceeded both our cost of capital and our on-top ROCE target of at least 10.5 percent by 2006. Value added increased to €2.6 billion in 2006.

Central Europe

Having achieved an almost unchanged ROCE, the Central Europe market unit increased its value added to €2.4 billion. Together with an increasing capital basis, which mainly resulted from an intraperiod increase in working capital and higher investments, higher electricity prices and nonoperating improvements led to a positive ROCE performance. In contrast to this, the effects of network regulation in Germany,

1.16 kWh for a tub of warm water



	Nordic		U.S. Midwest		Degussa ²		Corporate Center		E.ON Group	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	619	766	391	365	53	132	-416	-399	8,150	7,293
	6,328	6,656	6,832	6,625	916	1,959	-533	782	61,568	59,988
	9.8%	11.5%	5.7%	5.5%	5.8%	6.7%	-	-	13.2%	12.2%
	9.0%	9.0%	8.0%	8.0%	9.6%	9.6%	-	-	9.0%	9.0%
	51	166	-157	-166	-35	-57	-	-	2,586	1,920

higher power procurement costs, and higher conventional fuel costs contributed negatively. The high returns posted by Central Europe are also attributable to its highly depreciated asset base. Central Europe's medium-term investment plan encompasses investments totaling €11.5 billion, which will lead to an increase in capital employed, particularly in the generation business.

Pan-European Gas

Pan-European Gas substantially increased both ROCE and valued added in 2006. Key factors were the absence of the significant negative effect from higher oil prices in the prior year and markedly higher foreign sales volumes. Despite an increase in capital employed, due in part to the first-time consolidation of E.ON Földgáz Trade and Storage, these factors led ROCE to increase from 11.5 to 13.5 percent.

U.K.

In 2006 U.K. achieved its cost of capital for the first time, continuing a long-term upward trend. By delivering a ROCE of 9.3 percent, U.K. made a slightly positive value contribution. This development is mainly attributable to operating improvements in the generation and retail businesses.

Nordic

Nordic recorded a decline of its ROCE to 9.8 percent in 2006. Despite this, its value added was again positive in 2006. The main negative factors were lower generation from hydro and nuclear assets and increased taxes on installed hydro and nuclear capacity compared with the prior year. Adjusted EBIT as well as capital employed were adjusted for the sale of E.ON Finland.

U.S. Midwest

U.S. Midwest's ROCE was up slightly compared with prior year. The main positive factors were operating improvements and investments in emission-reduction equipment.

Cash Flow and Financial Condition

Management's analysis of E.ON's financial condition uses, among other financial measures, cash provided by operating activities, free cash flow, and net financial position. Free cash flow is defined as cash provided by operating activities less investments in intangible assets and property, plant, and equipment. We use free cash flow primarily to make acquisitions, pay out cash dividends, repay debts, and make short-term financial investments. Net financial position equals the difference between our total financial assets and total financial liabilities. Management believes that these financial measures enhance the understanding of the E.ON Group's financial condition and, in particular, its liquidity.

Consolidated Statements of Cash Flows (Summary)		
€ in millions	2006	2005
Cash provided by operating activities	7,194	6,544
Cash provided by (used for) investing activities	-4,501	442
Cash provided by (used for) financing activities	-5,849	-6,458
Net increase (decrease) in cash and cash equivalents maturing	-3,156	528
Liquid funds as shown on December 31	6,187	9,897

Cash provided by investing activities was negative in 2006. With declining proceeds from sales of shareholdings, cash used for investment activities rose significantly over the previous year. Moreover, more funds were used for fixed-term deposits and securities purchases than in 2005. Some of these financial investments were transferred during the course of the year to external fund assets for pension obligations. The additional reduction of financial debts and the distribution of the special dividend for the 2005 fiscal year are reflected in the negative cash flow from financing activities.

The E.ON Group's cash provided by operating activities in 2006 was about 10 percent above the prior-year level.

The increase in Central Europe's cash provided by operating activities is mainly attributable to the increase in gross profit on sales in the electricity business and the first-time consolidation of Versorgungskasse Energie ("VKE"). Furthermore, cash provided by operating activities was adversely affected in the prior year by nonrecurring payments relating to nuclear energy operations. An increase in working capital had a negative impact in 2006. The substantial negative impact of the new regulation of network charges in Germany will not be reflected in cash provided by operating activities until 2007.

Cash Provided by Operating Activities			
€ in millions	2006	2005 ¹	+/-
Central Europe	3,825	3,020	+805
Pan-European Gas	589	1,999	-1,410
U.K.	749	101	+648
Nordic	715	689	+26
U.S. Midwest	381	214	+167
Corporate Center	935	521	+414
Cash provided by operating activities	7,194	6,544	+650
Investments in intangible assets and in property, plant, and equipment	4,083	2,956	+1,127
Free cash flow²	3,111	3,588	-477

¹Adjusted for discontinued operations.
²Non-GAAP financial measure.

Pan-European Gas's positive business performance in 2006 is not yet reflected in its cash provided by operating activities. The main reasons are the buildup of working gas in storage at E.ON Földgaz Trade (which became a consolidated E.ON company on March 31, 2006) and the price- and quantity-driven increases in expenditures for natural gas in storage at E.ON Ruhrgas AG. Other negative factors in the gas business include the later payment of supplier invoices from the prior year, lower payments from customers due to higher advance payments at the end of the prior year, and higher tax payments compared with the prior year.

U.K.'s cash provided by operating activities was significantly higher year on year. The improvement was mainly due to one-off pension fund payments made in 2005. Higher gas procurement costs were recovered through higher sales prices and efficiency-enhancing initiatives.

Nordic's cash provided by operating activities increased slightly. Negative factors included lower generation from hydro assets, outages at several nuclear power plants, and an increase in working capital. These were more than offset, however, by the absence of payments made in 2005 for damage caused by the severe winter storm and lower tax payments.

Cash provided by operating activities at U.S. Midwest was higher mainly due to increased collections of accounts receivable in the first quarter of 2006 (which resulted from higher natural gas prices in the fourth quarter of 2005) and lower gas inventory costs. Cash increases were partly offset by pension contributions and MISO exit costs in 2006.

The Corporate Center's cash provided by operating activities was significantly above the prior-year level. Positive tax effects in the current year made up for the absence of income recorded in the prior year on the unwinding of cross-currency swaps.

In general, surplus cash provided by operating activities at Central Europe, U.K., and U.S. Midwest is lower in the first quarter of the year (despite the high sales volume typical of this season) due to the nature of their billing cycles, which in the first quarter are characterized by an increase in receivables combined with cash outflows for goods and services. During the remainder of the year, there is typically a corresponding reduction in working capital, resulting in surplus cash provided by operating activities, although sales volumes in these quarters (with the exception of U.S. Midwest) are actually lower. The fourth quarter is characterized by an increase in working capital. At Pan-European Gas, by contrast, cash provided by operating activities is recorded principally in the first quarter, whereas there are cash outflows for intake at gas storage facilities in the second and third quarters and for gas tax prepayments in the fourth quarter.

Net Financial Position		
€ in millions	December 31	
	2006	2005
Bank deposits	1,747	5,859
Securities and funds (current assets)	4,440	4,038
Total liquid funds	6,187	9,897
Securities and funds (fixed assets)	6,944	6,382
Total liquid funds and non-current securities	13,131	16,279
Financial liabilities to banks (including bills of exchange)	-1,272	-1,572
Bonds (including MTN)	-9,003	-9,538
Commercial paper	-366	-
Financial liabilities to third parties	-751	-1,306
Financial liabilities to affiliated companies	-154	-134
Financial liabilities to associated companies	-1,853	-1,812
Total financial liabilities	-13,399	-14,362
Net financial position¹	-268	1,917

¹Non-GAAP financial measure, see the next table for a reconciliation to the relevant GAAP measures.

Due to the increase in investments in property, plant, and equipment and in intangible assets, free cash flow was 13 percent below the prior-year number.

Our net financial position of -€268 million declined by €2,185 million from the figure reported as of December 31, 2005 (€1,917 million). This is mainly attributable to financial outlays for investments in property, plant, and equipment, the acquisition of the natural gas business of Hungary's MOL, and the €5.1 billion contribution under the contractual trust arrangement. In addition, the dividend payout (including the special dividend) resulted in substantial cash outflow. Our net financial position was positively affected by proceeds from the disposal of Degussa and E.ON Finland and, in particular, by our strong cash provided by operating activities and the first-time consolidation of VKE.

To increase transparency, we have changed the presentation from the previous financial year and now also include financial liabilities to affiliated companies and to equity investments in our net financial position, which is non-GAAP financial measure. Our financial position as of December 31, 2005, was adjusted accordingly. This change facilitates the reconciliation of net financial position to a U.S. GAAP measure. The reconciliation is shown in the table below.

Reconciliation of Net Financial Position		
€ in millions	December 31	
	2006	2005
Liquid funds shown in the Consolidated Financial Statements	6,187	9,897
Financial assets shown in the Consolidated Financial Statements	28,302	25,808
Thereof equity investments	-20,699	-18,759
Thereof shares in affiliated companies	-659	-667
Total liquid funds and non-current securities	13,131	16,279
Financial liabilities shown in the Consolidated Financial Statements	-13,399	-14,362
Net financial position	-268	1,917

Energy Industry

Three considerations dominate the energy industry: economic efficiency, security of supply, and environmental protection. On one hand, the oil dispute between Belarus and Russia and its impact on the energy supply situation in other countries served to draw greater attention to the importance of energy security. On the other, the debate about the allocation of CO₂ emission allowances in Europe underscored the importance of establishing a transparent and properly designed emission trading scheme as a mechanism for enhancing environmental protection.

Despite the slight decline in energy prices, industry observers predict that prices will remain at high levels for the foreseeable future. The International Energy Agency made a significant upward correction to its long-term oil price projection compared with last year. The reason for the correction is that the oil price increases of the last three years have not had the same negative impact on the global economy that they had in the 1980s. In many applications, natural gas and oil products are competing fuels, so their prices will likely continue to move in tandem in the future. As for coal, increased production combined with increased demand is expected to result in stable price development over the long term, leading to a wider spread between coal and oil prices.

Substantial uncertainty currently surrounds forecasts of CO₂ emission allowance prices. The future development of prices depends primarily on how restricted the allocation of allowances is. The long-term development of carbon prices will be determined by the way emissions trading is handled on a global scale.

Due in large part to a variety of European subsidy programs, renewable energies are playing an increasingly important role and continually increasing their share of the energy supply.

The global supply of uranium is secure, access to it is good, and uranium has a high energy content. These three factors serve to underscore nuclear power's role in energy supply and its contribution to energy security. Furthermore, as an emission-free energy source, nuclear power is a significant factor in Europe's ability to achieve its emission-reduction targets under the Kyoto Protocol. In the EU, these aspects are receiving considerable attention in the policymaking debate about nuclear energy and have led some countries to extend the operating lives of existing nuclear power stations and to build new ones.

Planned Takeover of Endesa

In early February 2007 the Spanish stock market regulator approved, as part of the sealed-envelope process, our final offer price of €38.75 per ordinary share and ADR for the announced acquisition of Endesa S.A. This corresponds to a total consideration of €41 billion for 100 percent of Endesa. The following forecasts for the 2007 financial year do not reflect the possible effects of the planned takeover because a result of the public tender offer is expected in April at the earliest.

Employees

The E.ON Group's workforce is expected to increase slightly (by approximately 1,200 employees) by year end 2007, with the growth coming primarily at the U.K. market unit's Energy Services and Energy Wholesale businesses.

Earnings

The 2006 financial year was the last financial year for which E.ON AG's Consolidated Financial Statements were prepared in accordance with U.S. GAAP. Effective January 1, 2007, we apply International Financial Reporting Standards ("IFRS"), which deviate substantially from U.S. GAAP in a number of respects. For this reason, the following statements refer to E.ON's adjusted EBIT performance under IFRS. However, until we publish complete Consolidated Financial Statements under IFRS for the year ended December 31, 2007, this earnings information will remain preliminary due to possible changes to individual reporting standards.

Based on the current, preliminary result of the conversion process, we expect the E.ON Group's 2006 adjusted EBIT under IFRS to be slightly above the figure disclosed under U.S. GAAP. Deviations in the two earnings figures resulting from the conversion to IFRS relate mainly to:

- the valuation of inventory
- the measurement of provisions
- the accounting for U.S. regulatory assets and liabilities
- the exercise of options provided for in the first-time application of IFRS.

The adoption of IFRS will have the following effect on the market units' adjusted EBIT compared with the published 2006 U.S. GAAP amounts: there will be no material changes for Central Europe and U.K. Adjusted EBIT at Pan-European Gas and U.S. Midwest will be significantly higher, whereas Nordic's adjusted EBIT will be significantly lower.

For 2007 we expect the E.ON Group's adjusted EBIT to again be slightly higher. However, not all market units will contribute equally to the improvement, in part due to the conversion effects described above. From today's perspective, we also anticipate a slight increase in net income in 2007. However, the development of net income will, in particular, be influenced by the marking to market of derivatives at year end.

The earnings forecast by market unit is as follows:

Based on 2006 adjusted EBIT, which reflects considerable negative effects from regulatory intervention in the network business on the one hand and operating improvements and positive nonrecurring effects on the other hand, we expect Central Europe's 2007 adjusted EBIT to be slightly above the prior-year figure. For 2007 Central Europe aims to offset the ongoing negative effects of regulatory intervention in the power and gas network business with operating improvements, including improvements in other parts of its business.

We expect Pan-European Gas's adjusted EBIT for 2007 to be below the figure for 2006. The up-/midstream business experiences negative effects from oil and gas price developments, temperature-sensitive demand at the beginning of the year, and declining earnings from the valuation of gas storage utilization. These effects will be mitigated by earnings improvements in the downstream business, particularly due to the absence of nonrecurring charges relating to the regulation of network charges in Germany and higher adjusted EBIT contributions at our shareholdings in Hungary.

The 2007 adjusted EBIT of the U.K. market unit is expected to be broadly in line with 2006. This follows a significant increase in adjusted EBIT from 2005 to 2006. The key challenges facing the business during 2007 will be optimizing value from our assets in a volatile commodity market and delivering value from our distribution assets. E.ON UK announced in January 2007 that domestic energy prices will be reduced as a result of decreasing wholesale energy prices confirming the business's intent to provide value to its customers.

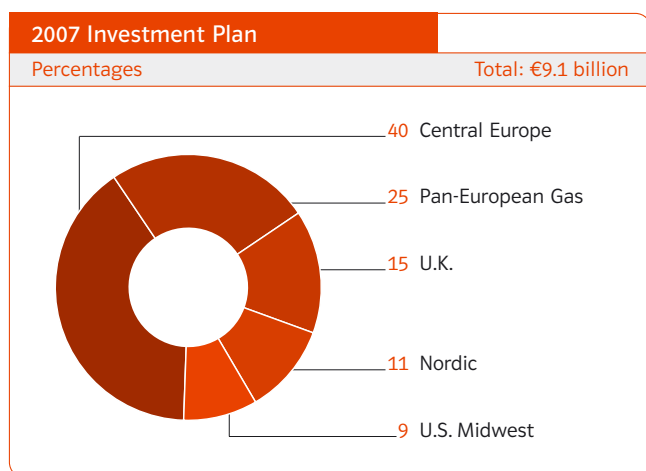
We expect Nordic's adjusted EBIT for 2007 to be significantly above the level of 2006. Earnings development will be positively affected by higher volumes in both hydropower and nuclear production as well as by higher electricity prices.

E.ON U.S. expects 2007 adjusted EBIT to be below 2006 due to lower gas margins as a result of the timing of gas cost recoveries from customers.

Investments

Our investment plan is fully in line with our strategy of cementing and expanding our leading positions in the power and gas market. E.ON plans to invest a total of approximately €9.1 billion in 2007. About €7.2 billion, or 80 percent, is earmarked for property, plant, and equipment, in particular to enhance security of supply.

About €2.4 billion of investments in property, plant, and equipment will serve to maintain and replace existing generation assets. In addition, €1.8 billion will go towards modernizing and maintaining power and natural gas transport and distribution networks. About €3 billion will be invested in building additional generating capacity, expanding power and gas networks, enlarging gas storage capacity, and in gas production fields.



Opportunities

Positive developments in prime-interest rates, foreign-currency rates, and market prices for commodities such as electricity, natural gas, coal, oil, and carbon can create opportunities for our operations. In addition, continued positive development of market prices can create opportunities relating to the securities we own.

Periods of exceptionally cold weather—very low average temperatures or extreme daily lows—in the fall and winter can create opportunities for us to meet higher demand for electricity and natural gas. Periods of exceptionally hot weather in the summer can create opportunities for our U.S. Midwest market unit to meet the greater demand for electricity resulting from increased air conditioning use.

In addition, the further optimization of our procurement portfolio through commodity trading can create potential opportunities. In view of market developments in the United Kingdom and Continental Europe, trading at European gas hubs can create additional sales and procurement opportunities. The ongoing optimization of natural gas transport and storage rights could yield additional opportunities.

The E.ON procurement network enables us to achieve considerable scalar effects by aggregating procurement volume and to reduce costs by transferring best practices group-wide. In particular, the optimization of technical specifications for procurement amounts and the use of proven, uniform procurement processes and instruments can yield cost advantages.

Our investment policy is aimed at strengthening and enlarging our leading position in our target markets and at systematically seizing opportunities, including opportunities in future markets.

Overall, we expect the E.ON Group to have another solid financial year in 2007. From today's perspective, we are unable to issue a reliable forecast for 2008 due to uncertainty surrounding economic, foreign-currency, regulatory, technological, and competition-related developments.

7.5 kWh for dreams of summer
in the middle of winter



E.ON stock is listed on all German stock exchanges, on the New York Stock Exchange, and on MTA International, a segment of the Italian Stock Exchange. At year end 2006, E.ON stock's weighting in the DAX index of Germany's top blue chips was 9.8 percent, which was the highest weighting in the index. As of December 29, 2006, E.ON was also the leading security in the DAX in terms of market capitalization. E.ON stock is included in all major European stock indices. In the United States, E.ON stock is traded as American depositary receipts ("ADRs"); the conversion ratio between E.ON ADRs and E.ON stock is three to one.

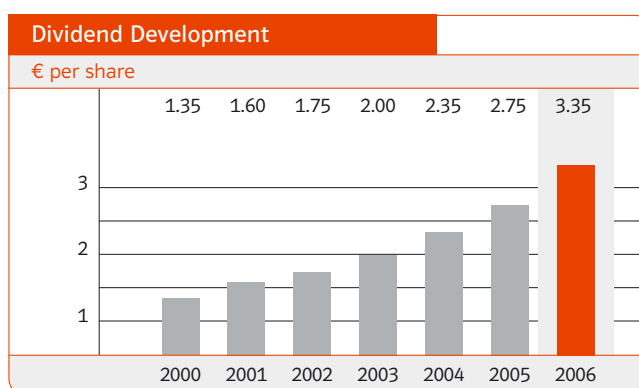
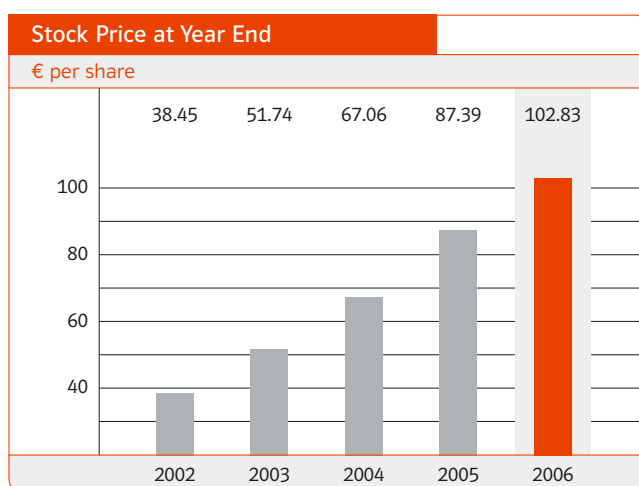
E.ON Stock's Development in 2006

In a strong stock market, E.ON stock advanced 17.7 percent in 2006. Shareholders who reinvested their cash dividends (including the special dividend) saw the value of their E.ON portfolio increase by 26.6 percent in 2006. E.ON thus outperformed Germany's DAX index (which gained 22 percent on the year) and the EURO STOXX index (which gained 18 percent). On the whole, the market for European utility stocks performed strongly in 2006, with the STOXX Utilities index up 39.9 percent.

E.ON Stock's Long-Term Development

Investors who purchased €5,000 worth of E.ON stock (then: VEBA stock) at the end of 1996 and reinvested their cash dividends (including the special dividend in 2006) saw the value of their investment rise to more than €15,359 by the end of 2006. This represents an average annual return of 11.9 percent, higher than Germany's DAX index (which advanced 8.6 percent per year on average over the same period) and the broader European market (the EURO STOXX averaged 10.5 percent growth per year on average). European utility stocks as measured by the STOXX Utilities index averaged 14.0 percent growth per year during the same period.

Investors who purchased €5,000 worth of E.ON stock at the end of 2001 and reinvested their cash dividends (including the special dividend in 2006) saw the value of their investment rise 117.5 percent by the end of 2006. E.ON stock considerably outperformed the German and broader European stock markets, with the DAX index rising by 27.8 percent and the EURO STOXX rising by 21.4 percent over the same five-year period, and slightly outperformed European utility stocks, with the STOXX Utilities rising by 103.5 percent.



Dividend

At the 2007 Annual Shareholders Meeting, management will propose that the cash dividend for 2006 be increased by 22 percent, from €2.75 per share for the 2005 financial year to €3.35 per share for the 2006 financial year. Since the 2001 financial year, the dividend has thus increased from €1.60 to €3.35, which represents an average of 15.9 percent per year. Based on E.ON stock's year-end 2006 closing price, the dividend yield is 3.3 percent and the payout ratio is 50.4 percent based on adjusted net income.

E.ON Bonds

Under its Medium Term Note program, E.ON issued the following bonds on the international bond market in May 2002 (each through its finance subsidiary, E.ON International Finance B.V.):

- €4.25 billion 5.750 percent p.a., due May 29, 2009
- €0.9 billion 6.375 percent p.a., due May 29, 2017
- £0.5 billion 6.375 percent p.a., due May 29, 2012
- £0.975 billion 6.375 percent p.a., due June 7, 2032

In the secondary market, the development of E.ON bonds in 2006 differed between the bonds. The risk premiums (spreads) of the euro-denominated bonds widened slightly following the announcement of the Endesa transaction. By the end of the year, however, spreads had decreased to initial levels (for bonds due in 2009) or even slightly below (for bonds due in 2017). E.ON bonds denominated in British pounds sterling were less liquid; their spreads widened following the announcement of the Endesa transaction and were still high at year end.

Credit default swaps ("CDS"), an indicator for the capital market's perception of credit quality, widened briefly following the announcement of the Endesa transaction but by year end were below the levels seen at the beginning of the year (five-year and ten-year CDS).

E.ON AG Ratings			
	Long term	Short term	Outlook
Moody's	Aa3	P-1	Review for possible downgrade
Standard & Poor's	AA-	A-1+	Credit watch with negative implications
Fitch ¹	AA-	F-1+	Rating watch negative

¹Unsolicited rating.

E.ON bonds are included in all relevant bond indices, in particular the iBoxx Utilities, iBoxx Non-Financials, and iBoxx Non-Financials AA. Selection for inclusion in indices is subject to strict criteria, such as a bond's rating, term, and minimum trading volume.

Investor Relations

In 2006 we again expanded our investor relations ("IR") activities. Through our regular road shows and participation in capital market conferences, we deepened the long-standing relationship of trust we enjoy with our target groups, which include institutional investors, financial analysts, and retail investors as well as people interested in E.ON stock, E.ON bonds, and stock markets in general.

We will continue our highly successful Capital Market Day series in 2007. The 2006 event was held in Stockholm to present our Nordic market unit. Approximately 80 participants used the opportunity to gain insight into Nordic's operations and have direct access to senior management from both the market unit and Corporate Center. We plan for this year's event to focus on our operations in Eastern Europe.

We also further improved our services for retail investors by increasing our presence at events designed specifically for this investor group. Our Internet platform www.eon.com provides user-friendly access to all of our IR offerings. Here, current and future E.ON shareholders will find a wide variety of information to help them evaluate E.ON stock and bonds. It includes financial reports and investor presentations as well as downloads of our telephone conferences, Capital Market Days, and the Annual Shareholders Meeting in both audio and video format, some of which are also available as podcasts.

In 2006 the quality of our work was again confirmed by how investors and analysts voted in a number of European and global surveys. These results make us more motivated to deliver even higher quality in 2007. We look forward to continued excellent relations with the capital market in 2007, which promises to be an exciting year.



Dr. Wulf H. Bernotat

Born 1948 in Göttingen
Member of the Board of Management since 2003
Chairman and CEO, Düsseldorf



Dr. Burckhard Bergmann

Born 1943 in Sendenhorst/Beckum
Member of the Board of Management since 2003
Upstream Business, Market Management,
Group Regulatory Management, Düsseldorf



Christoph Dänzer-Vanotti

Born 1955 in Freiburg
Member of the Board of Management since 2006
Human Resources, Infrastructure Services,
Procurement, Organization, Düsseldorf (since December 1, 2006)



Lutz Feldmann

Born 1957 in Bonn
Member of the Board of Management since 2006
Corporate Development/New Markets
Düsseldorf (since December 1, 2006)



Dr. Hans Michael Gaul

Born 1942 in Düsseldorf
Member of the Board of Management since 1990
Controlling/Corporate Planning, M&A, Legal Affairs, Düsseldorf



Dr. Marcus Schenck

Born 1965 in Memmingen
Member of the Board of Management since 2006
Finance, Accounting, Taxes, IT, Düsseldorf (since December 1, 2006)



Dr. Johannes Teyssen

Born 1959 in Hildesheim
Member of the Board of Management since 2004
Downstream Business, Market Management,
Group Regulatory Management, Düsseldorf

Dr. Manfred Krüper

Born 1941 in Gelsenkirchen
Member of the Board of Management since 1996
Human Resources, Infrastructure Services, Procurement,
Organization, Düsseldorf (until November 30, 2006)

Dr. Erhard Schipporeit

Born 1949 in Bitterfeld
Member of the Board of Management since 2000
Finance, Accounting, Taxes, IT, Düsseldorf (until November 30, 2006)

Executive Vice Presidents

Kiran Bhojani, Düsseldorf

Dr. Peter Blau, Düsseldorf

Gert von der Groeben, Düsseldorf

Heinrich Montag, Düsseldorf

Dr. Rolf Pohlig, Düsseldorf (until December 31, 2006)

Honorary Chairman

Prof. Dr. Günter Vogelsang
Düsseldorf

Supervisory Board

Ulrich Hartmann
Düsseldorf
Chairman

Hubertus Schmoldt
Chairman of the Board of Management,
Industriegewerkschaft Bergbau,
Chemie, Energie, Hanover
Deputy Chairman

Günter Adam
Chairman of the Central Works Council,
Degussa AG, Hanau (until June 30, 2006)

Dr. Karl-Hermann Baumann
Munich

Dr. Rolf-E. Breuer
Frankfurt am Main

Dr. Gerhard Cromme
Chairman of the Supervisory Board,
ThyssenKrupp AG, Düsseldorf

Gabriele Gratz
Chairwoman of the Works Council,
E.ON Ruhrgas AG, Essen

Wolf-Rüdiger Hinrichsen
Deputy Chairman of the Combined
Works Council, E.ON AG, Düsseldorf

Ulrich Hocker
General Manager, German
Investor Protection Association,
Düsseldorf

Eva Kirchhof
Diploma Physicist, Munich

Seppel Kraus
Labor Union Secretary, Munich

Prof. Dr. Ulrich Lehner
President and Chief Executive Officer,
Henkel Group, Düsseldorf

Dr. Klaus Liesen
Honorary Chairman of the Supervisory
Board, E.ON Ruhrgas AG, Essen, and
Volkswagen AG, Wolfsburg

Erhard Ott
Member of Board of Management,
Unified Service Sector Union, ver.di,
Berlin

Ulrich Otte
Formerly Chairman of the Central
Works Council, E.ON Energie AG,
Munich (until December 31, 2006)

Hans Prüfer
Chairman of the Combined Works
Council, E.ON AG, Düsseldorf
(since July 25, 2006)

Klaus-Dieter Raschke
Chairman of the Combined Works
Council, E.ON Energie AG, Hanover

Dr. Henning Schulte-Noelle
Chairman of the Supervisory Board,
Allianz AG, Munich

Prof. Dr. Wilhelm Simson
Munich

Gerhard Skupke
Chairman of the Central Works Council,
E.ON edis AG, Fürstenwalde an der
Spree

Dr. Georg Frhr. von Waldenfels
Former Minister of State, Attorney,
Munich

Hans Wollitzer
Chairman of the Central Works Council,
E.ON Energie AG, Munich (since
January 4, 2007)

Supervisory Board Committees

Executive Committee
Ulrich Hartmann, Chairman
Wolf-Rüdiger Hinrichsen
Hubertus Schmoldt
Dr. Henning Schulte-Noelle

Audit Committee
Dr. Karl-Hermann Baumann, Chairman
Ulrich Hartmann
Ulrich Otte (until December 31, 2006)
Klaus-Dieter Raschke

Finance and Investment
Committee
Ulrich Hartmann, Chairman
Dr. Gerhard Cromme
Wolf-Rüdiger Hinrichsen
Hubertus Schmoldt

We have audited the Consolidated Financial Statements prepared by E.ON AG, Düsseldorf, Germany, comprising the balance sheet, the income statement, the statement of changes in equity, the statement of cash flows and the notes to the financial statements, together with the Group Management Report, which was combined with the Management Report of the Company, for the fiscal year from January 1, 2006, through December 31, 2006. The preparation of the Consolidated Financial Statements in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP) and that of the Combined Management Report in accordance with German commercial law are the responsibility of E.ON AG's Board of Management. Our responsibility is to express an opinion on the Consolidated Financial Statements and the Combined Management Report based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with Article 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform our audit such that misstatements materially affecting the presentation of the net assets, financial position, results of operations and cash flows in the Consolidated Financial Statements in accordance with U.S. GAAP and in the Combined Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Consolidated Financial Statements and the Combined Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Management, as

well as evaluating the overall presentation of the Consolidated Financial Statements and the Combined Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the Consolidated Financial Statements are in compliance with U.S. GAAP and give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group in accordance with these provisions. The Combined Management Report is consistent with the Consolidated Financial Statements and, as a whole, provides an appropriate view of the Group's position and properly presents the opportunities and risks of future development.

In addition, we confirm that the Consolidated Financial Statements for the fiscal year from January 1, 2006, through December 31, 2006, satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements in accordance with IFRS, as adopted by the EU.

Düsseldorf, February 21, 2007

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Vogelpoth	Laue
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

¹The independent auditors submitted an unqualified audit opinion on the complete Combined Group Management Report and the complete Combined Financial Statements.

E.ON AG and Subsidiaries Consolidated Statements of Income			
€ in millions	Note	2006	2005
Sales	(31)	67,759	56,141
Electricity and natural gas tax		-3,562	-4,525
Sales, net of electricity and natural gas tax		64,197	51,616
Cost of goods sold and services provided	(5)	-52,304	-40,603
Gross profit on sales		11,893	11,013
Selling expenses		-4,341	-3,845
General and administrative expenses		-1,774	-1,516
Other operating income	(6)	8,232	7,564
Other operating expenses	(6)	-9,080	-5,890
Financial earnings	(7)	203	-174
Income/Loss from companies accounted for under the equity method		836	433
Other financial earnings		-633	-607
Income/Loss from continuing operations before income taxes and minority interests		5,133	7,152
Income taxes	(8)	323	-2,261
Minority interests	(9)	-526	-536
Income/Loss from continuing operations		4,930	4,355
Income/Loss from discontinued operations, net	(4)	127	3,059
Cumulative effect of changes in accounting principles, net		0	-7
Net income		5,057	7,407
€			
Earnings per share - basic and diluted	(12)		
from continuing operations		7.48	6.61
from discontinued operations		0.19	4.64
from cumulative effect of changes in accounting principles, net		0.00	-0.01
from net income		7.67	11.24

E.ON AG and Subsidiaries Consolidated Balance Sheets

€ in millions	Notes	December 31	
		2006	2005
Assets			
Goodwill	(13a)	15,124	15,363
Intangible assets	(13a)	3,749	4,125
Property, plant and equipment	(13b)	42,712	41,323
Companies accounted for under the equity method	(13c)	7,967	9,689
Other financial assets	(13c)	20,335	16,119
Financial receivables and other financial assets	(15)	1,394	2,059
Operating receivables, other operating assets and prepaid expenses	(15)	3,553	3,530
Deferred tax assets	(8)	1,510	1,706
Non-current assets		96,344	93,914
Inventories	(14)	3,990	2,457
Financial receivables and other financial assets	(15)	1,417	1,060
Operating receivables, other operating assets and prepaid expenses	(15)	18,337	18,180
Liquid funds	(16)	6,187	9,897
Restricted cash		587	98
Securities and fixed-term deposits		4,448	5,453
Cash and cash equivalents		1,152	4,346
Assets of disposal groups	(4)	610	681
Deferred tax assets	(8)	347	373
Current assets		30,888	32,648
Total assets		127,232	126,562

E.ON AG and Subsidiaries Consolidated Balance Sheets

€ in millions	Notes	December 31	
		2006	2005
Stockholders' equity and liabilities			
Capital stock	(17)	1,799	1,799
Additional paid-in capital	(18)	11,760	11,749
Retained earnings	(19)	26,304	25,861
Accumulated other comprehensive income	(20)	8,212	5,331
Treasury stock	(17)	-230	-256
Stockholders' equity		47,845	44,484
Minority interests	(21)	4,917	4,734
Financial liabilities	(24)	9,959	10,555
Operating liabilities and deferred income	(24)	5,846	6,365
Provisions for pensions	(22)	3,769	8,290
Other provisions	(23)	20,406	19,112
Deferred tax liabilities	(8)	7,294	7,929
Non-current liabilities		47,274	52,251
Financial liabilities	(24)	3,440	3,807
Operating liabilities and deferred income	(24)	14,604	13,504
Provisions for pensions	(22)	116	430
Other provisions	(23)	7,802	6,030
Liabilities of disposal groups	(4)	615	831
Deferred tax liabilities	(8)	619	491
Current liabilities		27,196	25,093
Total stockholders' equity and liabilities		127,232	126,562

Summary of Financial Highlights ¹					
€ in millions	2002	2003	2004	2005	2006
Sales and earnings					
Sales	35,133	43,839	46,489	56,141	67,759
Adjusted EBITDA ²	6,948	8,584	9,664	10,194	11,353
Adjusted EBIT ³	4,242	5,645	6,747	7,293	8,150
Income/Loss (-) from continuing operations before income taxes and minority interests	-1,013	5,204	6,332	7,152	5,133
Income/Loss (-) from continuing operations	-949	3,602	4,011	4,355	4,930
Income/Loss (-) from discontinued operations	3,535	1,485	328	3,059	127
Net income	2,777	4,647	4,339	7,407	5,057
Value measures					
ROCE ⁴ (in %)	9.2	9.9	11.5	12.2	13.2
Cost of capital (in %)	9.5	9.5	9.0	9.0	9.0
Value added ⁴	-102	251	1,477	1,920	2,586
Asset structure					
Long-term assets	86,286	86,967	88,223	93,914	96,344
Short-term assets	27,217	24,883	25,839	32,648	30,888
Total assets	113,503	111,850	114,062	126,562	127,232
Capital structure					
Stockholders' equity	25,653	29,774	33,560	44,484	47,845
thereof capital stock	1,799	1,799	1,799	1,799	1,799
Minority interests	6,511	4,625	4,144	4,734	4,917
Long-term liabilities	58,501	53,452	52,624	52,251	47,274
thereof provisions	29,159	27,085	27,328	27,402	24,175
thereof financial liabilities	17,175	14,521	13,265	10,555	9,959
thereof other liabilities	12,167	11,846	12,031	14,294	13,140
Short-term liabilities	22,838	23,999	23,734	25,093	27,196
thereof provisions	5,588	7,243	6,914	6,460	7,918
thereof financial liabilities	7,675	7,266	7,036	3,807	3,440
thereof other liabilities	9,575	9,490	9,784	14,826	15,838
Total liabilities and stockholders' equity	113,503	111,850	114,062	126,562	127,232
Cash flow and investments					
Cash provided by operating activities	3,489	5,224	5,776	6,544	7,194
Free cash flow ⁵	430	2,715	3,202	3,588	3,111
Investments	23,117	8,773	4,777	3,941	5,161
Financial ratios					
Equity ratio (in %)	22.6	26.6	29.4	35.1	37.6
Long-term assets as a percentage of property, plant, and equipment	105.1	101.0	102.4	108.0	103.8
Return on equity after taxes (in %)	11.1	16.8	13.7	19.0	11.0
Net financial position ⁶ (financial assets less financial liabilities at year end)	-14,946	-10,011	-7,451	1,917	-268
Cash provided by operating activities as a percentage of sales	9.9	11.9	12.4	11.7	10.6

Summary of Financial Highlights ¹					
€ in millions	2002	2003	2004	2005	2006
Stock					
Earnings per share from net income (in €)	4.26	7.11	6.61	11.24	7.67
Other per share figures (in €)					
Stockholders' equity ⁷	39.33	45.39	50.93	67.50	72.54
Twelve-month high	59.97	51.74	67.06	88.92	104.40
Twelve-month low	38.16	34.67	49.27	64.50	82.12
Year-end closing price	38.45	51.74	67.06	87.39	102.83
Dividend	1.75	2.00	2.35	2.75	3.35
Dividend payout	1,142	1,312	1,549	4,614 ⁸	2,210
Market capitalization ⁹ (€ in billions)	25.1	33.9	44.2	57.6	67.9
E.ON AG long-term ratings					
Moody's	Aa2	A-1	Aa3	Aa3	Aa3
Standard & Poor's	AA-	AA-	AA-	AA-	AA-
Employees					
Employees at year end	97,995	57,029	59,732	79,570	80,612
¹ Adjusted for discontinued operations. ² Non-GAAP financial measure; see reconciliation to net income on page 18. ³ Non-GAAP financial measure; see reconciliation to net income on page 18. ⁴ Non-GAAP financial measure; see derivation on pages 20-23; figures for 2002-2004 not adjusted for discontinued operations. ⁵ Non-GAAP financial measure; see reconciliation to cash provided by operating activities on page 24. ⁶ Non-GAAP financial measure; see reconciliation on page 25. ⁷ Excludes minority interests. ⁸ Includes special dividend of €4.25 per share. ⁹ Market capitalization based on ordinary shares outstanding.					



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Financial Calendar

May 3, 2007	2007 Annual Shareholders Meeting
May 4, 2007	Dividend Payout
May 9, 2007	Interim Report January - March 2007
August 15, 2007	Interim Report January - June 2007
November 13, 2007	Interim Report January - September 2007
March 6, 2008	Release of 2007 Annual Report
April 30, 2008	2008 Annual Shareholders Meeting
May 2, 2008	Dividend Payout
May 14, 2008	Interim Report January - March 2008
August 13, 2008	Interim Report January - June 2008
November 12, 2008	Interim Report January - September 2008

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Mareike Foeking
Andreas Pohlmann, pages 11, 32 and 33
Rüdiger Nehmzow, page 32 (Dr. Bergmann)

